

# ASB KiwiSaver Scheme Financial Statements

For the year ended 31 March 2018

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# Statements of Changes in Net Assets Available for Benefits

	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
\$ thousands								
<b>For the year ended 31 March</b>		Note						
<b>Revenue</b>								
Dividend/distribution income	1,937	-	22,836	19,439	7,096	5,746	6,851	4,240
Interest income	42	45	357	386	137	135	116	103
Net gains on financial instruments at fair value through profit or loss	7,929	9,612	143,588	140,049	73,528	67,222	80,031	73,903
Wholesale fee rebate	17	24	440	406	179	136	153	96
<b>Total revenue</b>	<b>9,925</b>	<b>9,681</b>	<b>167,221</b>	<b>160,280</b>	<b>80,940</b>	<b>73,239</b>	<b>87,151</b>	<b>78,342</b>
<b>Total comprehensive income</b>	<b>9,925</b>	<b>9,681</b>	<b>167,221</b>	<b>160,280</b>	<b>80,940</b>	<b>73,239</b>	<b>87,151</b>	<b>78,342</b>
<b>Total members' funds at the beginning of the year</b>	<b>402,524</b>	<b>360,010</b>	<b>3,434,473</b>	<b>3,008,067</b>	<b>1,218,399</b>	<b>1,000,078</b>	<b>963,413</b>	<b>766,871</b>
Total comprehensive income	9,925	9,681	167,221	160,280	80,940	73,239	87,151	78,342
Employer contributions	18,788	17,794	169,232	161,280	55,433	54,563	44,012	38,655
Member contributions	43,096	36,136	335,636	327,497	141,348	110,797	117,738	78,492
Crown contributions	9,290	9,163	69,515	69,765	22,471	20,969	15,154	13,186
Transfers from other scheme providers	16,919	18,317	69,549	96,554	67,135	44,949	91,548	36,603
Member withdrawals	(34,648)	(28,427)	(147,947)	(131,334)	(46,247)	(37,512)	(27,899)	(21,102)
Management fee deducted	(1,419)	(1,299)	(13,952)	(12,647)	(7,753)	(6,473)	(7,143)	(5,416)
Administration fee deducted	(1,098)	(1,113)	(7,764)	(7,937)	(2,089)	(1,982)	(1,417)	(1,218)
Transfers to other scheme providers	(17,593)	(14,059)	(183,180)	(167,242)	(40,544)	(37,073)	(31,271)	(28,072)
Switches within the scheme	(10,389)	(2,201)	(224,454)	(54,263)	(39,829)	2,152	66,315	11,945
PIE tax paid/payable	(1,485)	(1,478)	(20,678)	(15,547)	(6,864)	(5,308)	(5,985)	(4,873)
Allocated contributions	-	-	-	-	-	-	-	-
Unallocated contributions	-	-	-	-	-	-	-	-
<b>Total members' funds at the end of the year</b>	<b>433,910</b>	<b>402,524</b>	<b>3,647,651</b>	<b>3,434,473</b>	<b>1,442,400</b>	<b>1,218,399</b>	<b>1,311,616</b>	<b>963,413</b>

These statements are to be read in conjunction with the notes on pages 8 to 19 and the Independent Auditor's Report on pages 20 to 21.

# Statements of Changes in Net Assets Available for Benefits (continued)

Note	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2018	2017	2018	2017	2018	2017
	<b>\$ thousands</b> <b>For the year ended 31 March</b>					
	<b>Revenue</b>					
	3,215	1,887	-	-	41,935	31,312
Dividend/distribution income	136	109	-	-	788	778
Interest income						
Net gains on financial instruments at fair value through profit or loss	115,026	103,444	-	-	420,102	394,230
Wholesale fee rebate	186	94	-	-	975	756
<b>Total revenue</b>	<b>118,563</b>	<b>105,534</b>	-	-	<b>463,800</b>	<b>427,076</b>
<b>Total comprehensive income</b>	<b>118,563</b>	<b>105,534</b>	-	-	<b>463,800</b>	<b>427,076</b>
	1,057,223	795,379	19,959	11,386	7,095,991	5,941,791
<b>Total members' funds at the beginning of the year</b>	<b>118,563</b>	<b>105,534</b>	-	-	<b>463,800</b>	<b>427,076</b>
Total comprehensive income	60,996	44,070	-	-	348,461	316,362
Employer contributions	137,044	89,488	-	-	774,862	642,410
Member contributions	20,690	15,507	-	-	137,120	128,590
Crown contributions	132,195	42,092	-	-	377,346	238,515
Transfers from other scheme providers	(32,529)	(23,012)	52	21	(289,218)	(241,366)
Member withdrawals	(9,075)	(6,167)	-	-	(39,342)	(32,002)
Management fee deducted	(2,179)	(1,711)	-	-	(14,547)	(13,961)
Administration fee deducted	(49,099)	(41,453)	-	-	(321,687)	(287,899)
Transfers to other scheme providers	208,357	42,367	-	-	-	-
Switches within the scheme	(7,513)	(4,871)	-	-	(42,525)	(32,077)
PIE tax paid/payable	-	-	(19,959)	(11,386)	(19,959)	(11,386)
Allocated contributions	-	-	23,739	19,938	23,739	19,938
Unallocated contributions	-	-	23,791	19,959	8,494,041	7,095,991
<b>Total members' funds at the end of the year</b>	<b>1,634,673</b>	<b>1,057,223</b>				

These statements are to be read in conjunction with the notes on pages 8 to 19 and the Independent Auditor's Report on pages 20 to 21.

# Statements of Net Assets Available for Benefits

	Note	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
		2018	2017	2018	2017	2018	2017	2018	2017
<b>Assets</b>									
Cash and cash equivalents		2,789	2,005	28,822	22,296	10,725	7,810	10,768	7,234
Financial assets at fair value through profit or loss	2	432,586	401,884	3,639,711	3,426,338	1,438,485	1,215,439	1,306,574	960,652
Receivables	3	80	3	371	51	443	19	652	16
<b>Total assets</b>		<b>435,455</b>	<b>403,892</b>	<b>3,668,904</b>	<b>3,448,685</b>	<b>1,449,653</b>	<b>1,223,268</b>	<b>1,317,994</b>	<b>967,902</b>
<b>Liabilities</b>									
Payables	4	1,545	1,368	21,253	14,212	7,253	4,869	6,378	4,489
<b>Total liabilities</b>		<b>1,545</b>	<b>1,368</b>	<b>21,253</b>	<b>14,212</b>	<b>7,253</b>	<b>4,869</b>	<b>6,378</b>	<b>4,489</b>
<b>Net assets attributable to members</b>		<b>433,910</b>	<b>402,524</b>	<b>3,647,651</b>	<b>3,434,473</b>	<b>1,442,400</b>	<b>1,218,399</b>	<b>1,311,616</b>	<b>963,413</b>
<b>Represented by:</b>									
Liability for promised retirement benefits		433,910	402,524	3,647,651	3,434,473	1,442,400	1,218,399	1,311,616	963,413

These statements are to be read in conjunction with the notes on pages 8 to 19 and the Independent Auditor's Report on pages 20 to 21.

# Statements of Net Assets Available for Benefits (continued)

	Note	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
		2018	2017	2018	2017	2018	2017
<b>Assets</b>							
Cash and cash equivalents		14,510	7,563	24,193	20,263	91,807	67,171
Financial assets at fair value through profit or loss	2	1,627,354	1,054,031	-	-	8,444,710	7,058,344
Receivables	3	763	19	-	-	2,309	108
<b>Total assets</b>		<b>1,642,627</b>	<b>1,061,613</b>	<b>24,193</b>	<b>20,263</b>	<b>8,538,826</b>	<b>7,125,623</b>
<b>Liabilities</b>							
Payables	4	7,954	4,390	402	304	44,785	29,632
<b>Total liabilities</b>		<b>7,954</b>	<b>4,390</b>	<b>402</b>	<b>304</b>	<b>44,785</b>	<b>29,632</b>
<b>Net assets attributable to members</b>		<b>1,634,673</b>	<b>1,057,223</b>	<b>23,791</b>	<b>19,959</b>	<b>8,494,041</b>	<b>7,095,991</b>
<b>Represented by:</b>							
Liability for promised retirement benefits		1,634,673	1,057,223	23,791	19,959	8,494,041	7,095,991

The Board of Directors of the Manager authorised these financial statements for issue:


  
 Director  
 26 June 2018


  
 Director  
 26 June 2018

These statements are to be read in conjunction with the notes on pages 8 to 19 and the Independent Auditor's Report on pages 20 to 21.

# Cash Flow Statements

	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>\$ thousands</b>								
<b>For the year ended 31 March</b>								
<b>Cash flows from operating activities</b>								
Total comprehensive income	9,925	9,681	167,221	160,280	80,940	73,239	87,151	78,342
<b>Reconciliation of comprehensive income to net cash flows from operating activities</b>								
Non cash item								
Unrealised gain on financial instruments at fair value through profit or loss	(4,591)	(8,311)	(83,918)	(46,734)	(53,844)	(10,444)	(62,400)	(8,478)
Dividend/distribution reinvested	(1,937)	-	(22,836)	(19,439)	(7,096)	(5,746)	(6,851)	(4,240)
Net change in investments	(24,174)	(34,497)	(106,619)	(359,281)	(162,106)	(201,363)	(276,671)	(182,484)
Net change in receivables	(1)	1	(4)	(5)	(4)	(4)	(5)	(6)
<b>Net cash flows from operating activities</b>	<b>(20,778)</b>	<b>(33,126)</b>	<b>(46,156)</b>	<b>(265,179)</b>	<b>(142,110)</b>	<b>(144,318)</b>	<b>(258,776)</b>	<b>(116,866)</b>
<b>Cash flows from financing activities</b>								
Cash was provided from:								
Employer contributions	18,788	17,794	169,232	161,280	55,433	54,563	44,012	38,655
Member contributions	43,096	36,136	335,636	327,497	141,348	110,797	117,738	78,492
Crown contributions	9,290	9,163	69,515	69,765	22,471	20,969	15,154	13,186
Transfers from other scheme providers	16,919	18,317	69,549	96,554	67,135	44,949	91,548	36,603
Switches within the scheme	-	-	-	-	-	2,152	66,069	11,945
Unallocated contributions	-	-	-	-	-	-	-	-
<b>Total cash inflows provided from financing activities</b>	<b>88,093</b>	<b>81,410</b>	<b>643,932</b>	<b>655,096</b>	<b>286,387</b>	<b>233,430</b>	<b>334,521</b>	<b>178,881</b>
Cash was applied to:								
Member withdrawals	(34,552)	(28,427)	(146,423)	(131,334)	(45,649)	(37,512)	(27,486)	(21,102)
Management fees deducted	(1,419)	(1,299)	(13,952)	(12,647)	(7,753)	(6,473)	(7,143)	(5,416)
Administration fees deducted	(1,098)	(1,113)	(7,764)	(7,937)	(2,089)	(1,982)	(1,417)	(1,218)
Transfers out to other schemes	(17,593)	(14,059)	(183,180)	(167,242)	(40,544)	(37,073)	(31,271)	(28,072)
Switches within the scheme	(10,350)	(2,201)	(223,821)	(54,263)	(39,866)	-	-	-
PIE tax (paid)/received on behalf of members	(1,519)	(1,875)	(16,110)	(27,295)	(5,461)	(8,054)	(4,894)	(6,615)
Total cash outflows applied to financing activities	(66,531)	(48,974)	(591,250)	(400,718)	(141,362)	(91,094)	(72,211)	(62,423)
<b>Net cash flows from financing activities</b>	<b>21,562</b>	<b>32,436</b>	<b>52,682</b>	<b>254,378</b>	<b>145,025</b>	<b>142,336</b>	<b>262,310</b>	<b>116,458</b>
<b>Summary of movements in cash flows</b>								
Net increase/(decrease) in cash and cash equivalents	784	(690)	6,526	(10,801)	2,915	(1,982)	3,534	(408)
Add: cash and cash equivalents at beginning of the year	2,005	2,695	22,296	33,097	7,810	9,792	7,234	7,642
<b>Cash and cash equivalents at end of the year</b>	<b>2,789</b>	<b>2,005</b>	<b>28,822</b>	<b>22,296</b>	<b>10,725</b>	<b>7,810</b>	<b>10,768</b>	<b>7,234</b>
<b>Additional operating cash flow information</b>								
Interest received as cash	41	46	355	388	135	136	114	103
Interest paid as cash	-	-	-	-	-	-	-	-
Dividend/distribution received as cash	-	-	-	-	-	-	-	-

These statements are to be read in conjunction with the notes on pages 8 to 19 and the Independent Auditor's Report on pages 20 to 21.

# Cash Flow Statements (continued)

	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2018	2017	2018	2017	2018	2017
\$ thousands						
For the year ended 31 March						
<b>Cash flows from operating activities</b>						
Total comprehensive income	118,563	105,534	-	-	463,800	427,076
<b>Reconciliation of comprehensive income to net cash flows from operating activities</b>						
Non cash item						
Unrealised gain on financial instruments at fair value through profit or loss	(92,070)	(46,654)	-	-	(296,823)	(120,621)
Dividend/distribution reinvested	(3,215)	(1,887)	-	-	(41,935)	(31,312)
Net change in investments	(478,038)	(211,621)	-	-	(1,047,608)	(989,246)
Net change in receivables	(8)	(10)	-	-	(22)	(24)
<b>Net cash flows from operating activities</b>	<b>(454,768)</b>	<b>(154,638)</b>	<b>-</b>	<b>-</b>	<b>(922,588)</b>	<b>(714,127)</b>
<b>Cash flows from financing activities</b>						
Cash was provided from:						
Employer contributions	60,996	44,070	(1,979)	(5,358)	346,482	311,004
Member contributions	137,044	89,488	(3,206)	(3,042)	771,656	639,368
Crown contributions	20,690	15,507	(185)	(34)	136,935	128,556
Transfers from other scheme providers	132,195	42,092	(14,568)	(2,952)	362,778	235,563
Switches within the scheme	207,968	42,367	-	-	274,037	56,464
Unallocated contributions	-	-	23,739	19,938	23,739	19,938
Total cash inflows provided from financing activities	558,893	233,524	3,801	8,552	1,915,627	1,390,893
Cash was applied to:						
Member withdrawals	(32,088)	(23,012)	31	21	(286,167)	(241,366)
Management fees deducted	(9,075)	(6,167)	-	-	(39,342)	(32,002)
Administration fees deducted	(2,179)	(1,711)	-	-	(14,547)	(13,961)
Transfers out to other schemes	(49,099)	(41,453)	-	-	(321,687)	(287,899)
Switches within the scheme	-	-	-	-	(274,037)	(56,464)
PIE tax (paid)/received on behalf of members	(4,737)	(6,305)	98	26	(32,623)	(50,118)
Total cash outflows applied to financing activities	(97,178)	(78,648)	129	47	(968,403)	(681,810)
<b>Net cash flows from financing activities</b>	<b>461,715</b>	<b>154,876</b>	<b>3,930</b>	<b>8,599</b>	<b>947,224</b>	<b>709,083</b>
<b>Summary of movements in cash flows</b>						
Net increase/(decrease) in cash and cash equivalents	6,947	238	3,930	8,599	24,636	(5,044)
Add: cash and cash equivalents at beginning of the year	7,563	7,325	20,263	11,664	67,171	72,215
<b>Cash and cash equivalents at end of the year</b>	<b>14,510</b>	<b>7,563</b>	<b>24,193</b>	<b>20,263</b>	<b>91,807</b>	<b>67,171</b>
<b>Additional operating cash flow information</b>						
Interest received as cash	133	108	-	-	778	781
Interest paid as cash	-	-	-	-	-	-
Dividend/distribution received as cash	-	-	-	-	-	-

These statements are to be read in conjunction with the notes on pages 8 to 19 and the Independent Auditor's Report on pages 20 to 21



# Notes to the Financial Statements

For the year ended 31 March 2018

## 1 Statement of Accounting Policies

### General Accounting Policies

These financial statements have been prepared for each of the funds included in the ASB KiwiSaver Scheme (the "Scheme"), comprising NZ Cash Fund, Conservative Fund, Moderate Fund, Balanced Fund and Growth Fund, as well as the ASB KiwiSaver Scheme. The financial statements also include information for the "Scheme Transactions Account" that forms part of the Scheme and comprises client monies and unallocated contributions (refer to "Cash and cash equivalents" of the Particular Accounting Policies Section for additional details).

The Scheme is a registered KiwiSaver Scheme under the KiwiSaver Act 2006, registration number KSSI0006 (Disclose Register Scheme number SCH10678). The Scheme is governed by the ASB KiwiSaver Scheme Trust Deed. The Scheme is a Defined Contribution Scheme and was available to the public from 1 July 2007. The Scheme is domiciled and registered in New Zealand.

In accordance with the Trust Deed, the liabilities of the Scheme are not limited to a particular group of assets in an individual fund of the Scheme. The results of the Scheme's funds have been disclosed in the financial statements to provide more useful and meaningful information to the user of the financial statements of the Scheme and should be read in conjunction with the Scheme's results.

The Supervisor of the Scheme is Public Trust. The Supervisor's registered office is Level 9, 34 Shortland Street, PO Box 1598, Shortland Street, Auckland 1140. The Manager of the Scheme is ASB Group Investments Limited. The Manager's registered office is ASB North Wharf, 12 Jellicoe Street, Auckland Central, Auckland 1010. The Manager holds a Managed Investment Scheme Manager Licence under Part 6 of the Financial Markets Conduct Act 2013 (the "Act"). The Scheme is a registered scheme in accordance with the Act.

Members' funds are invested in a range of investments in accordance with the terms of the Trust Deed.

These general purpose financial statements are for the year ended 31 March 2018 and have been drawn up in accordance with the requirements of the Trust Deed and the Act.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards.

The following new standards relevant to the Scheme have been issued and are effective from 1 April 2018:

#### NZ IFRS 9 *Financial Instruments* (NZ IFRS 9)

NZ IFRS 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 *Financial Instruments: Recognition and Measurement* that relates to the classification and measurement of financial instruments.

NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Under NZ IFRS 9 a new expected credit losses model replaces the incurred loss impairment model for financial assets used in NZ IAS 39. There are no changes to classification and measurement rules for financial liabilities. However, for financial liabilities that have been designated at fair value through profit or loss, fair value changes attributable to changes in credit risk must be presented in other comprehensive income.

NZ IFRS 9 relaxes the requirements for hedge effectiveness by removing the 80% to 125% hedge effectiveness threshold. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39.

There is no impact of transitioning to NZ IFRS 9 on the Scheme's financial statements, other than the small changes to disclosures as required by the new standard.

#### NZ IFRS 15 *Revenue from Contracts with Customers* (NZ IFRS 15)

NZ IFRS 15 was issued in July 2014 and replaces NZ IAS 11 *Construction Contracts*, NZ IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

NZ IFRS 15 requires identification of distinct performance obligations within a contract and allocation of the transaction price of the contract to those performance obligations. Revenue is recognised as each performance obligation is satisfied. Variable amounts of revenue can only be recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.

Although a significant proportion of the Scheme's revenue is outside the scope of NZ IFRS 15, certain revenue streams are in the scope of the standard. However, there is no impact of transitioning to NZ IFRS 15 on the Scheme's financial statements.

# Notes to the Financial Statements

For the year ended 31 March 2018

## 1 Statement of Accounting Policies (continued)

### General Accounting Policies (continued)

#### Basis of Preparation

The measurement base adopted is that of fair value except where otherwise stated.

#### Presentation Currency and Rounding

The functional and presentation currency is New Zealand dollars. The amounts contained in these financial statements are presented in thousands, unless otherwise stated.

#### Particular Accounting Policies

The Cash Flow Statement is now presented using the indirect method as allowed under NZ IAS 7 *Statement of Cash Flows*. This method provides more useful information by consolidating cash flow information into one statement that reconciles to total comprehensive income. All other policies have been applied on a basis consistent with that used in the year ended 31 March 2017.

- **Basis of Consolidation**

The Scheme meets the definition of an investment entity and as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as fair value through profit or loss, and measured at fair value. The Scheme has applied the consolidation exemption available under NZ IFRS 10 *Consolidated Financial Statements* and is accounting for its investment in the following subsidiaries at fair value through profit or loss:

Subsidiary	Place of business	Ownership Interest 2018	2017
Investors Wholesale Cash Trust	Auckland, New Zealand	75%	83%
Investors Wholesale NZ Fixed Interest Trust	Auckland, New Zealand	65%	78%
Investors Wholesale NZ Corporate Bond Trust	Auckland, New Zealand	77%	77%

- **Revenue Recognition**

Revenue is recognised to the extent that it is probable that there will be economic benefits and that revenue can be reliably measured. Revenue is recognised for each principal source as follows:

- Dividend/distribution income is recognised when the right to a dividend/distribution is established with any related foreign withholding tax recorded as an expense.
- Interest income is recognised using the effective interest method. The interest earned, if any, on financial assets measured at fair value through profit or loss is also included in interest income.
- Any unrealised gains or losses arising from the revaluation of financial assets and liabilities, along with realised gains and losses on the sale of investments during the year are included in the Statement of Changes in Net Assets Available for Benefits.
- Other income and wholesale fee rebates are recognised on an accruals basis.

- **Taxation**

The Scheme has elected to be a Portfolio Investment Entity ("PIE") under the Income Tax Act 2007. Under the PIE regime, income is effectively taxed in the hands of the members and accordingly no tax expense is recognised in the Statement of Changes in Net Assets Available for Benefits. The Manager attributes the taxable income of the Scheme to members in accordance with the proportion of their interests in the Scheme. The taxable income attributed to each member is taxed at the member's Prescribed Investor Rate ("PIR"), which is capped at 28%. The Manager accounts for tax on behalf of members with a PIR of greater than zero as redemptions, and undertakes any necessary adjustments to the member's interests in the Scheme to reflect that the Scheme pays tax on behalf of members.

# Notes to the Financial Statements

For the year ended 31 March 2018

## 1 Statement of Accounting Policies (continued)

### Particular Accounting Policies (continued)

- **Financial Instruments**  
RECOGNITION AND DERECOGNITION

The Scheme recognises financial assets on the date it becomes a party to the contractual agreement and recognises financial liabilities when an obligation arises. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired. Derecognition also occurs when the rights to receive cash flows from financial assets have been transferred together with substantially all of their risks and rewards. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### CLASSIFICATION AND MEASUREMENT

Financial instruments are classified under the following categories:

#### Financial Instruments at Fair Value through Profit or Loss

Financial instruments in this category are initially recognised at fair value with subsequent changes in their fair value recognised in the Statement of Changes in Net Assets Available for Benefits. Transaction costs are expensed as incurred. Any change in the fair values of financial assets and liabilities at fair value through profit or loss are disclosed in Statement of Changes in Net Assets Available for Benefits as net gains/(losses) on financial instruments at fair value through profit or loss. This includes investments in unlisted managed funds that have been designated at fair value through profit or loss upon initial recognition. The investments are managed on a fair value basis in accordance with a documented investment strategy.

#### Loans and Receivables

Assets in this category are financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method. The carrying amounts of these financial assets are reviewed at each balance date to determine if there is any objective basis of impairment. If any such basis exists, the financial asset's recoverable amount is estimated. If the estimated recoverable amount is less than its carrying amount, a provision is made and an impairment loss is recognised in the Statement of Changes in Net Assets Available for Benefits.

Loans and receivables include:

- *Cash and cash equivalents*  
Cash and cash equivalents include operational bank accounts and client monies accounts held with ASB Bank Limited. Client monies primarily include contributions received through the Scheme's bank account but are yet to be allocated to the members' accounts. Included within client monies accounts are tax monies that relate to member withdrawals that are yet to be transferred to the Inland Revenue Department. Due to their nature as clearing accounts, client monies and the corresponding unallocated withdrawals are separately presented in the "Scheme Transactions Account" column of the financial statements, as applicable.

- *Receivables*

Receivables may include amounts for dividends, interest income, contributions and distributions. The consideration to be received from the sales of securities and investments that are unsettled as at balance date are also included in receivables.

#### Financial Liabilities at Amortised Cost

Liabilities in this category are initially recognised at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method. This includes payables comprising accrued expenses, withdrawals payable and consideration to be paid for purchases of securities and investments that are unsettled as at balance date.

### OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset where there is currently a legally enforceable right to set-off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# Notes to the Financial Statements

For the year ended 31 March 2018

## 1 Statement of Accounting Policies (continued)

### Particular Accounting Policies (continued)

#### • Cash Flow Statement

The Cash Flow Statement has been prepared using the indirect method by which total comprehensive income is adjusted for non-cash transactions and movements in Balance Sheet accounts relating to operating activities.

For Cash Flow Statement presentation purposes payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading in the fair value of these securities represents the Scheme's main income-generating activity.

### Critical Accounting Estimates and Judgements

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Judgement was applied in selecting the accounting policy to designate financial assets at fair value through profit or loss upon initial recognition. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair values of all managed funds investments using valuation techniques. There are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets at balance date. However as with all investments, their value is subject to variation due to market fluctuations. Judgement was also applied in the categorisation of financial assets at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS 13 *Fair Value* as disclosed in note 6.

### Net Assets Attributable to Members

Members have unlimited access to their funds once they reach the required retirement age in accordance with the Trust Deed. Subject to conditions of the Trust Deed, members have restricted access to their funds prior to reaching this required age. Members can redeem their investments in the Scheme at any time for cash equal to a proportionate share of the Scheme's net asset value, once the specific conditions of the Trust Deed have been met. Members are able to transfer their balances to another KiwiSaver scheme or a superannuation scheme which permits transfer from the scheme, subject to the consent (if required) of the manager or supervisor of that scheme, and any transfer provisions of that scheme. Therefore net assets attributable to members are classified as financial liabilities in accordance with NZ IAS 32 *Financial Instruments: Presentation*. The value attributable to the members is the residual value of the assets of the Scheme after all other liabilities have been deducted.

### Contributions and Withdrawals

Contributions to the Scheme are recorded net of any entry fees payable. Withdrawals from the Scheme are recorded gross of any exit fees payable. Switches between funds within the Scheme are disclosed as such in the Statement of Changes in Net Assets Available for Benefits, rather than as contributions and withdrawals.

### Changes to Comparatives

Comparatives in the Cash Flow Statement have been reclassified to ensure consistency with the current period's presentation.

# Notes to the Financial Statements

For the year ended 31 March 2018

## 2 Financial Assets at Fair Value through Profit or Loss

	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Managed funds Investments</b>								
Investors Wholesale Australasian Equity (Index) Trust	-	-	363,948	345,507	302,010	257,423	411,490	305,324
Investors Wholesale Cash Trust	432,586	401,884	851,332	802,952	162,361	137,479	68,535	50,700
Investors Wholesale NZ Fixed Interest Trust	-	-	476,633	448,893	152,125	128,636	52,643	38,748
Investors Wholesale Global Credit (Index) Trust	-	-	294,709	275,991	94,621	79,560	132,236	96,784
Investors Wholesale Global Government Bond (Index) Trust	-	-	585,972	552,158	217,079	183,657	184,045	135,540
Investors Wholesale Global Equity (Index) Trust	-	-	370,548	344,636	161,072	134,499	299,307	217,542
Investors Wholesale NZ Corporate Bond Trust	-	-	696,569	656,201	231,793	196,054	78,960	58,134
Investors Wholesale Global Property (Index) Trust	-	-	-	-	59,419	49,466	13,496	9,778
Investors Wholesale Emerging Markets Equities Trust	-	-	-	-	58,005	48,665	65,862	48,102
<b>Total financial assets at fair value through profit and loss</b>	<b>432,586</b>	<b>401,884</b>	<b>3,639,711</b>	<b>3,426,338</b>	<b>1,438,485</b>	<b>1,215,439</b>	<b>1,306,574</b>	<b>960,652</b>

	Growth Fund		Scheme Transactions Account		ASB Kiwisaver Scheme	
	2018	2017	2018	2017	2018	2017
<b>Managed funds Investments</b>						
Investors Wholesale Australasian Equity (Index) Trust	568,291	372,243	-	-	1,645,739	1,280,497
Investors Wholesale Cash Trust	20,555	12,898	-	-	1,535,369	1,405,913
Investors Wholesale NZ Fixed Interest Trust	40,898	26,573	-	-	722,299	642,850
Investors Wholesale Global Credit (Index) Trust	-	-	-	-	521,566	452,335
Investors Wholesale Global Government Bond (Index) Trust	187,918	122,166	-	-	1,175,014	993,521
Investors Wholesale Global Equity (Index) Trust	570,516	366,007	-	-	1,401,443	1,062,684
Investors Wholesale NZ Corporate Bond Trust	65,433	42,525	-	-	1,072,755	952,914
Investors Wholesale Global Property (Index) Trust	75,502	48,282	-	-	148,417	107,526
Investors Wholesale Emerging Markets Equities Trust	98,241	63,337	-	-	222,108	160,104
<b>Total financial assets at fair value through profit and loss</b>	<b>1,627,354</b>	<b>1,054,031</b>	<b>-</b>	<b>-</b>	<b>8,444,710</b>	<b>7,058,344</b>

As ASB Group Investments Limited is the Manager of the Investors Wholesale Trusts above, these trusts are deemed to be related parties (refer to note 5).

# Notes to the Financial Statements

For the year ended 31 March 2018

## 3 Receivables

	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
Accrued income - interest receivable from ASB Bank Limited	2	1	15	13	7	5	6	4
Accrued fee rebate receivable from ASB Group Investments Limited	2	2	40	38	16	14	15	12
Unitholder money receivable	76	-	316	-	420	-	631	-
<b>Total receivables</b>	<b>80</b>	<b>3</b>	<b>371</b>	<b>51</b>	<b>443</b>	<b>19</b>	<b>652</b>	<b>16</b>

	Growth Fund		Scheme Transactions Account		ASB Kiwisaver Scheme	
	2018	2017	2018	2017	2018	2017
Accrued income - interest receivable from ASB Bank Limited	8	5	-	-	38	28
Accrued fee rebate receivable from ASB Group Investments Limited	19	14	-	-	92	80
Unitholder money receivable	736	-	-	-	2,179	-
<b>Total receivables</b>	<b>763</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>2,309</b>	<b>108</b>

These receivables are not past due or impaired.

# Notes to the Financial Statements

For the year ended 31 March 2018

## 4 Payables

\$ thousands As at 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
Inland Revenue PIE tax payable	1,334	1,368	18,780	14,212	6,272	4,869	5,580	4,489
Withdrawals payable	211	-	2,473	-	981	-	798	-
<b>Total payables</b>	<b>1,545</b>	<b>1,368</b>	<b>21,253</b>	<b>14,212</b>	<b>7,253</b>	<b>4,869</b>	<b>6,378</b>	<b>4,489</b>

  

\$ thousands As at 31 March	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2018	2017	2018	2017	2018	2017
Inland Revenue PIE tax payable	7,166	4,390	402	304	39,534	29,632
Withdrawals payable	788	-	-	-	5,251	-
<b>Total payables</b>	<b>7,954</b>	<b>4,390</b>	<b>402</b>	<b>304</b>	<b>44,785</b>	<b>29,632</b>

# Notes to the Financial Statements

For the year ended 31 March 2018

## 5 Related Party Transactions and Balances

The following are considered to be related parties:

- ASB Group Investments Limited (the Manager) and ASB Bank Limited. ASB Group Investments Limited is a wholly owned subsidiary of ASB Bank Limited. Both companies are members of the Commonwealth Bank of Australia Group;
- Public Trust (the Supervisor); and
- Investors Wholesale Trusts where managed funds investments are made as listed in note 2.

### Transactions with related parties:

- All revenue recognised by the Scheme is from related parties;
- The administration and management fees deducted by the Manager are disclosed in the Statement of Changes in Net Assets Available for Benefits;
- Refer to the Cash Flow Statements for purchases and sales of investments in Investors Wholesale Trusts; and
- Related parties offer financial products (for example, term deposits or as an arranger of corporate bonds) that the underlying funds managed by ASB Group Investments Limited may invest in. ASB Group Investments Limited ensures all related party financial products are purchased on arm's length terms and are authorised investments of the Scheme.

### Balances with related parties:

- Cash and cash equivalents as well as client monies accounts (for contributions receivable and withdrawals payable) are held with ASB Bank Limited and are presented in the Statements of Net Assets Available for Benefits;
- Refer to note 2 for investments held with Investors Wholesale Trusts; and
- Refer to note 3 for amounts due from related parties.

All transactions entered into with related parties during the year ended 31 March 2018 were conducted on an arm's length basis and on normal commercial terms.



# Notes to the Financial Statements

For the year ended 31 March 2018

## 6 Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell a financial asset, or paid to transfer a financial liability, in an orderly transaction between market participants at the measurement date.

The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where a quoted market price for a financial instrument is not available, its fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in a limited number of instances, rely on inputs which are unobservable but are reasonable assumptions based on market conditions.

There are three levels in the hierarchy of fair value measurements which are based on the inputs used to measure fair values.

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the Scheme can access.
- Level 2: where quoted market prices are not available, fair values have been estimated using present value or other valuation techniques using inputs that are observable for the financial asset or financial liability, either directly or indirectly.
- Level 3: fair values are estimated using inputs that are unobservable for the financial asset or financial liability.

The Scheme considers transfers between levels, if any, to have occurred at the end of the reporting period for which the financial statements are prepared. There were no transfers between levels for the year ended 31 March 2018.

As at 31 March 2018 and 31 March 2017, the Scheme's financial assets at fair value through profit or loss have been classified as Level 2 in the fair value hierarchy. These assets comprise managed funds investments (refer to note 2 for further detail).

The managed funds investments are not traded in an active market and their fair value is determined using valuation techniques. The value is based primarily on the latest available withdrawal price of the respective managed funds. In some instances, the Scheme may make adjustments to take into account the liquidity of the fund or its underlying investments, the value date of the net asset value provided, or any restrictions on withdrawals. As at 31 March 2018 and 31 March 2017 there were no significant adjustments made to the latest available withdrawal price of the respective managed funds.

The carrying amounts of financial assets and liabilities not measured at fair value are considered to be reasonable approximations of their fair values as at 31 March 2018 and 31 March 2017.

# Notes to the Financial Statements

For the year ended 31 March 2018

## 7 Financial Risk Management

The overall investment objective is to achieve capital growth through investing in a selection of debt and equity instruments through unlisted managed funds. This results in exposure to market risk, liquidity and cash flow risk and credit risk. The risk management programme focuses on the unpredictability of financial markets and minimisation of potential adverse effects on financial performance.

The following financial risk disclosures have been prepared based on direct investment profiles and not on a look through basis for investments held indirectly through unlisted trusts.

### Market Risk

Market risk is the risk that movements in the level or volatility of market rates and prices will affect the Scheme's income or the value of its holdings of financial instruments

Market risk includes price risk, interest rate risk and foreign exchange risk, which are explained as follows:

### Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments of a specific type traded in the market. Price risk is controlled by ensuring a diverse range of investments, limits on counterparty exposure and restrictions on types of instruments. For investments denominated in New Zealand dollars but with an indirect foreign exchange exposure, the price risk sensitivity disclosures below include this indirect foreign exchange exposure

Had the market price of the managed funds investments increased or decreased by 5% with all other variables held constant, the increase or decrease respectively in income and net assets (excluding tax) would amount to the following:

\$ thousands For the year ended 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
Increase/decrease in: income/net assets	21,629	20,094	181,986	171,317	71,924	60,772	65,329	48,033
\$ thousands For the year ended 31 March	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme			
	2018	2017	2018	2017	2018	2017	2018	2017
Increase/decrease in: income/net assets	81,368	52,702	-	-	422,236	-	352,918	-

A variable of 5% was selected for potential market price sensitivity based on historical experience. Actual movements may be significantly different from this and will vary by Fund depending on the investments held.

# Notes to the Financial Statements

For the year ended 31 March 2018

## 7 Financial Risk Management (continued)

### Interest Rate Risk

Holdings of interest earning financial assets, being cash and cash equivalents, create exposures to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. There may also be indirect exposure to interest rate risk through the managed funds investments, which does not affect the interest rate sensitivity analysis below.

Had the interest rate increased or decreased by 1% with all other variables held constant, the increase or decrease respectively in income and net assets (excluding tax) would amount to approximately:

	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
Increase/decrease in: income/net assets	28	20	288	223	107	78	108	72

Increase/decrease in: income/net assets

	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2018	2017	2018	2017	2018	2017
Increase/decrease in: income/net assets	145	76	242	203	918	672

Increase/decrease in: income/net assets

A variable of 1% was selected for interest rate sensitivity as this is a reasonably possible movement based on historic rate trends. However, the actual movements may be significantly different from this.

### Foreign Exchange Risk

There is no direct foreign exchange risk. However, there may be indirect exposure to foreign exchange risk through the assets and liabilities held by the managed funds investments as disclosed in note 2. Where these investments are denominated in New Zealand dollars but subject to an indirect foreign exchange exposure, their sensitivity to both price and foreign exchange exposure is reflected within the price risk sensitivity disclosed above.

### Liquidity and Cash Flow Risk

In accordance with the Scheme's policy, the Manager monitors the Scheme's liquidity position on a daily basis. Liquidity management is designed to ensure that the Scheme has the ability to generate sufficient cash in a timely manner to meet its financial commitments and normal levels of withdrawals. The Manager regularly monitors market volatility and withdrawal levels to establish the Scheme's appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of withdrawals, timing of payments may depend on the ability of the Scheme to realise its underlying investments on a timely basis.

The Scheme holds financial assets that are highly liquid.

Members are able to transfer their balances to other KiwiSaver schemes subject to the consent (if required) of the Manager or Supervisor of that scheme, and any transfer provisions of that scheme. As such, the liability for promised retirement benefits is deemed to be repayable on demand. All other financial liabilities of the Scheme are due within 3 months.

# Notes to the Financial Statements

For the year ended 31 March 2018

## 7 Financial Risk Management (continued)

### Credit Risk

Credit risk arises from the possible failure of external counterparties to honour the terms and conditions of a contract that may result in a financial loss. The maximum exposure to credit risk of financial instruments is considered to be their carrying value. A regular review of the investment mandate is conducted by the Investment Manager. The intention is not necessarily to hold the financial assets to maturity, but to realise and purchase similar assets as part of the ongoing management of the investments.

Where the Manager invests directly in cash and debt securities, a credit quality criteria has been put in place that limits securities to certain minimum Standard & Poor's (Australia) Pty ("S&P") or Moody's Investors Service Pty Limited ("Moody's") credit ratings in accordance with the investment mandate or policy. The minimum S&P short term credit rating which is applicable to cash and short term deposits is A-2 and the minimum Moody's short term rating is P-2. The minimum S&P long term credit rating which is applicable to fixed interest securities and other long term debt securities is A-

Where the Manager invests in an external trust, the Manager considers the disclosed restrictions on credit quality of the trust, along with the process of diversification, provision for in specie redemptions and/or stock lending, custodian, banker, auditor of the trust, and whether the trust has a rating from one of the major consultancies such as Mercer. The Manager looks through the trust to the securities held and, where credit risk is taken, considers the external fund manager's processes and risk controls to diversify and mitigate credit risk.

None of the financial assets are past due or impaired. A past due asset is any credit exposure where a counterparty has failed to make a payment when contractually due but is not an impaired asset. An impaired asset is any credit exposure for which an impairment loss is required. The investment mandate provides for an appropriate diversification of investments such that there is no significant concentration of credit risk other than noted below.

At balance date, there is a credit exposure to ASB Bank Limited which has a short term S&P credit rating of A-1+ (2017: A-1+) and a long term S&P credit rating of AA- (2017: AA-) equal to the amount of cash and cash equivalents as disclosed. The same amount represents the direct economic sector concentration in the finance and bank sectors.

### Capital Management

The net assets attributable to members (as represented by the liability for promised retirement benefits) are primarily determined by contributions to the Scheme together with the change in fair value on these contributions over the period of membership. The timing of the payment of retirement benefits is determined by the requirements of the KiwiSaver Act 2006.

Under the terms of the Trust Deed contributions can be made by the Scheme members, by their employers and the Government. During the year, contributions by Scheme members, employers and the Government have been at the following rates:

- Employer contribution: required to contribute 3% of an employee's pre-tax salary or wages to the extent these contributions are matched by the employee (31 March 2017 3%)
- Member contribution: 3%, 4% or 8% of employee's pre-tax salary or wages (31 March 2017 3%, 4% or 8%)

In addition voluntary contributions may have also been received from members.

If a member is eligible, the Government will pay 50 cents for every dollar of member contribution annually up to a maximum payment of \$521.43 (referred to as the Member Tax Credit) (31 March 2017 50 cents, \$521.43).

Net assets attributable to members are considered to be the Scheme's capital for the purposes of capital management. The Scheme does not have to comply with externally imposed capital requirements. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and to maximise the Scheme's members' value as well as ensuring its net assets attributable to members are sufficient to meet all present and future obligations. In order to meet its objectives for capital management the Manager reviews the Scheme's performance on a regular basis.

## 8 Capital Commitments and Contingent Liabilities

The Scheme had no capital commitments or contingent liabilities as at 31 March 2018 (31 March 2017 nil).

## 9 Events after the Reporting Period

There were no events subsequent to the reporting period which would materially affect the financial statements.



## ***Independent auditor's report***

To the members of ASB KiwiSaver Scheme (the "Scheme") which comprises:

NZ Cash Fund  
Conservative Fund  
Moderate Fund  
Balanced Fund  
Growth Fund  
(collectively, the "Funds")

The Funds' and the Scheme's financial statements comprise:

- the statements of net assets available for benefits as at 31 March 2018;
- the statements of changes in net assets available for benefits for the year then ended;
- the cash flow statements for the year then ended; and
- the notes to the financial statements, which include a statement of accounting policies and other explanatory information.

### ***Our opinion***

In our opinion, the Funds' and the Scheme's financial statements present fairly, in all material respects, the net assets of the Funds and the Scheme as at 31 March 2018, their change in net assets and their cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Scheme in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assurance services for the Scheme in the area of registry compliance. The provision of these other services has not impaired our independence as auditor of the Scheme.

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### ***Information other than the financial statements and auditor's report***

ASB Group Investments Limited (the Manager) is responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information. The Directors of the Manager have advised that no other information will be included in the annual report.



In connection with our audit of the financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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### *Responsibilities of the Manager for the financial statements*

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing each Fund's and the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Funds or the Scheme, or to cease operations, or has no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

This description forms part of our auditor's report.

### *Who we report to*

This report is made solely to the Scheme's members, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's members, as a body, for our audit work, for this report or for the opinions we have formed.

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The engagement partner on the audit resulting in this independent auditor's report is Philip Taylor.

For and on behalf of:

Chartered Accountants  
26 June 2018

Auckland